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C O N F I D E N T I A L SECTION 01 OF 02 CONAKRY 000121

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TAGS: [PGOV](#) [EMIN](#) [ECON](#) [EFIN](#) [GV](#)
SUBJECT: MINISTRY OF MINES INSIDER REPORTS SHARP REVENUE
DECLINE

REF: CONAKRY 116

Classified By: ECONOFF T. SCOTT BROWN FOR REASONS 1.4 (B) AND (D)

¶1. (C) SUMMARY. A 23 February meeting with an insider at the Ministry of Mines revealed that the president is continuing to consolidate key ministries and revenue streams under his direct control. Uncertainty over international contracts at the Ministry of Mines, coupled with a chaotic merger with the Ministry of Energy, has led to a significant amount of disorganization in the ministry, and absenteeism among its staff. The contact painted a startling picture of Guinea's finances, claiming that state mining revenue has dropped "substantially" in the past few months. Any drop in mining revenue, which makes up the bulk of the GoG's revenue stream, is likely to have far reaching consequences for the country.
END SUMMARY.

¶2. (C) On February 23, Econoff met with Saadou Nimaga (protect), a legal advisor to the Minister of Mines, to discuss the administration of government under the CNDD and the impact the current economic climate is having on state revenues. Nimaga is a new contact for the Embassy, and has worked in at the ministry for several years.

MINISTRY NOW ESSENTIALLY ATTACHED TO THE PRESIDENCY

¶3. (C) Nimaga said that the Ministry of Mines now unofficially reports directly to Moussa Dadis Camara, President of the National Council for Democracy and Development (CNDD). Though no formal declaration has been made to remove Prime Minister Kabine Komara from the bureaucratic hierarchy, Nimaga said that the PM has told the Minister of Mines to report directly to Dadis on a number of occasions. Nimaga noted that this arrangement became so common that the Minister is now bypassing the PM altogether.

MINING FUND REVENUE NOW GOES DIRECTLY TO DADIS

¶4. (C) The most substantive change since the CNDD's ascent to power, Nimaga noted, was the relocation of the Mining Fund (Fonds Minier), an investment fund used for geological surveys and staff training, from the Ministry to the Presidency. The Fund is replenished monthly by rents earned from CBG (Bauxite Company of Guinea) in the port city of Kamsar, which pays to use the government-owned railroad, mining equipment, and other infrastructure. Nimaga said that without access to the Fund, certain staff allowances and other expenditures must come out of the Ministry's small budget, which it might not now be able to afford.

FUSION WITH MINISTRY OF ENERGY CAUSES SOME DISRUPTION

15. (C) When asked how the Ministry was functioning on a day-to-day basis, Nimaga said that the fusion with the Ministry of Energy had caused a moderate amount of disorganization within the two ministries. He said that the bureaucratic hierarchies had not yet been consolidated, which in turn caused delays in the decision-making process. Further, since the two ministries are not located in the same area, Nimaga said that many files and directives have to be hand-carried through Conakry's congested downtown area for ministerial signature.

ABSENTEEISM HIGH AMONG LOWER-LEVEL STAFF

16. (C) With these major changes at the Ministry, Nimaga said that many staff members are "taking a wait-and-see" attitude. As an example, Nimaga cited the fact that many directors and section chiefs are delaying implementation of approved projects, fearing that the new Minister might cancel them. Because of these delays, many lower-level staff members have no work to do, and Nimaga claimed that many of them currently do not show up for work. He noted, however, that almost all of the upper-level cadre of officials continue to report to their jobs on time each morning.

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EXISTING CONTRACTS MAY BE "RECALIBRATED"

17. (C) Sharing insights into the intention of the military junta to revise existing mining contracts, Nimaga said that when the CNDD took power, they intended to thoroughly revise all existing concession agreements. However, Nimaga said that the new Minister spoke with Dadis shortly after being appointed and convinced him that this approach would shake international confidence in Guinea. Nimaga said that the Minister eventually convinced Dadis to allow him only to audit the contracts for compliance. In this way, Nimaga said, "the Ministry can sit across the table from foreign investors and 'recalibrate' certain clauses that both parties agree are not correct." Nimaga stated that one such contract that needed "recalibration" was the one with RUSAL, the Russian bauxite mining giant, and its alumina-producing subsidiary, Friguia.

REVENUES DROP AS ECONOMIC CRISIS TAKES TOLL

18. (C) Nimaga said that mining revenues have dropped significantly since November of 2008, and cited the global economic crisis as the primary reason. He said that the world market price for aluminum was currently at historic lows, a fact which has driven down Guinea's exports of bauxite, the mineral used to produce aluminum. (NOTE: On 24 February 2009, aluminum prices reached a six-year low on international markets. END NOTE.)

19. (C) Further, Nimaga asserted that the constricted credit market had essentially halted the development of several major mining operations. For example, he said that Global Alumina Corporation's alumina refinery project in northwest Guinea near the port city of Kamsar has recently been put on hold, as the company no longer has access to credit for project financing.

110. (C) As a result of this revenue loss, Nimaga said that the military junta is now turning to other streams to bridge

the financing gap in their general budget. He said that the CNDD is now actively trying to collect outstanding debt, back taxes, licensing fees, and any other available revenue or property from a variety of individuals and companies. (NOTE: Separate reports from RSO recently noted that the junta was reoccupying properties that the GoG once owned. The tenants of several government villas and office buildings have recently been evicted to make way for CNDD operations there. END NOTE.)

COMMENT

¶11. (C) In past years, mining revenues have reportedly accounted for between 60% and 80% of the Guinean government's overall receipts. A dramatic decline in mining royalties, fees, and taxes, combined with the significant drop in tariff duty collection at the Port of Conakry (reftel) seem to indicate that state finances may soon enter a crisis period. Any budgetary constriction is likely to have a significant impact in key areas, including military and civil servant salaries, international debt repayment, health and education projects, and election financing. END COMMENT.

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